21 OCTOBER 2025

ARROW SHIPPING & ENERGY

SHIPPING MARKETS OUTLOOK

CHANGE OF SEASONS

Maritime London Turkish-British Shipping Forum, Istanbul

A thematic discussion

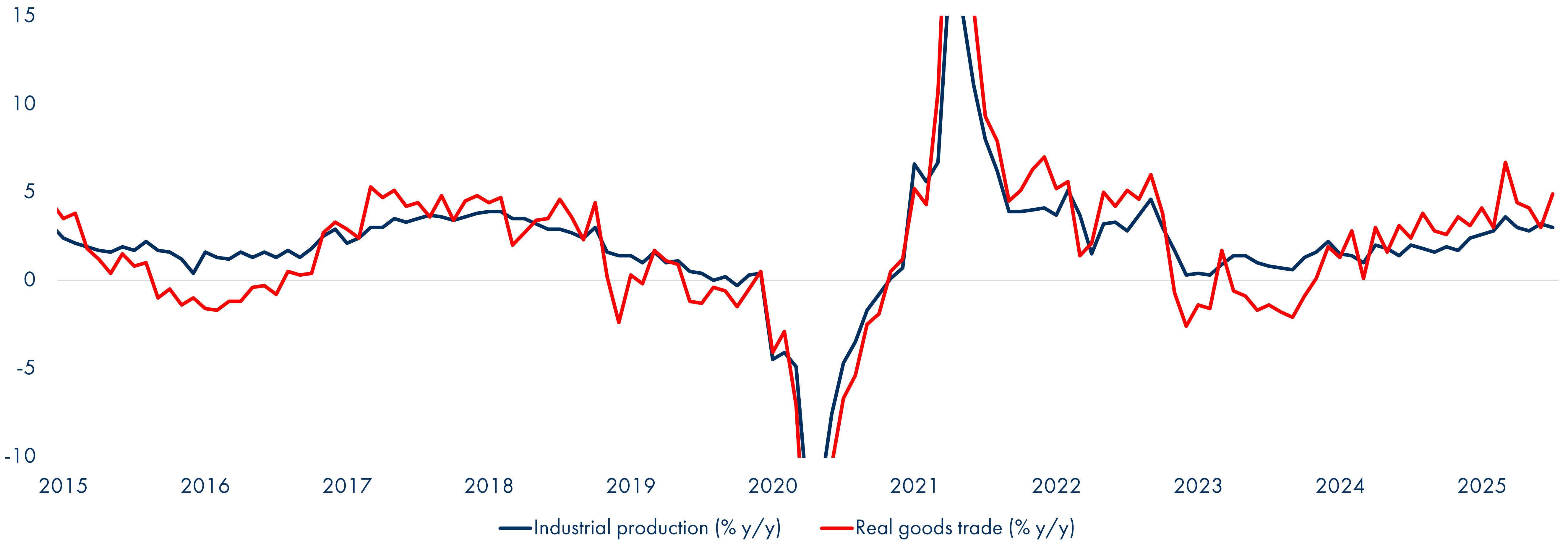
Global Tariffs	:	**Limited impact on global demand so far – worst is likely behind**
Port fees	:	**Market adapted to the USTR but China port fees could cause further disruption**
Short-to-medium term outlook	:	**Mixed – but overall, cautiously positive**
Long-term outlook	:	**Meeting global fleet renewal requirements will be challenging**

US Tariffs impact on global demand

The unprecedented levels of trade uncertainty appear to have had only a limited impact so far. Global goods trade surged as buyers front-loaded ahead of tariffs. Volumes have since eased, but remain at solid levels, with the industrial sector proving surprisingly resilient to volatility.

Global industrial production and goods trade

Year-on-year percentage change

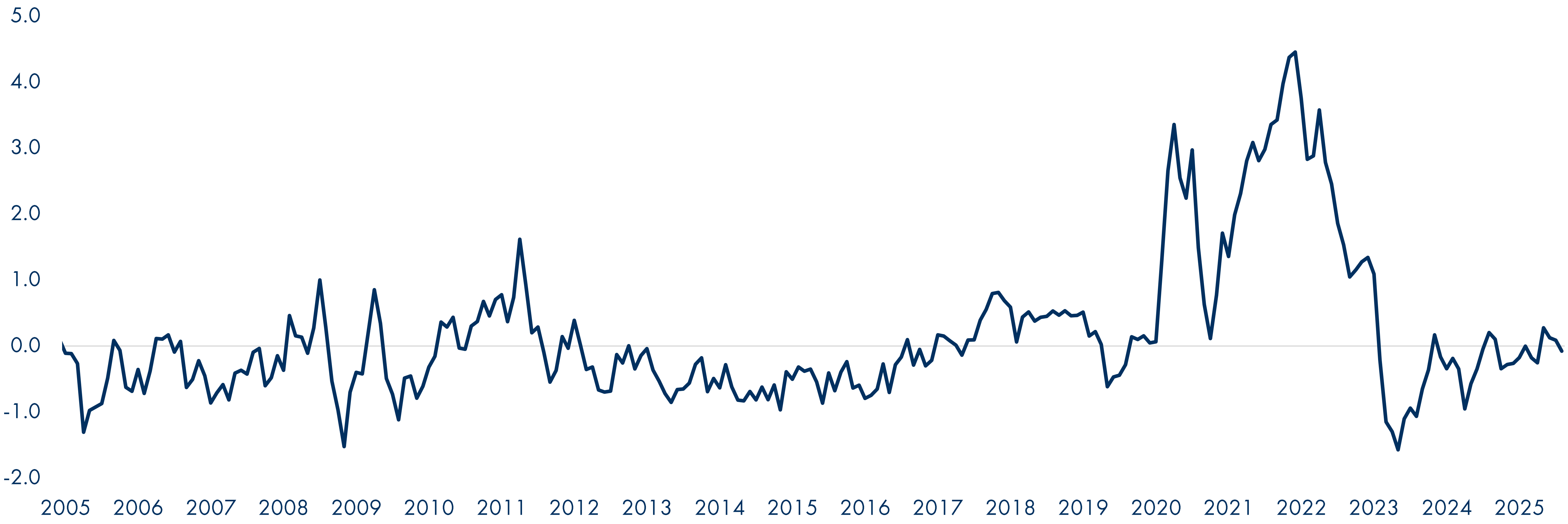


Source: CPB World Trade Monitor, Arrow

No sign of strain in global supply chains due to volatile policymaking and global trade war

New York Fed Global Supply Chain Stress Index

Standard deviation from average value



Source: New York Fed Economic Research, Arrow

The effects of front-loading are visible in manufacturing data, but August readings point to stabilization, with activity set to improve in the coming months.

Global Manufacturing PMI

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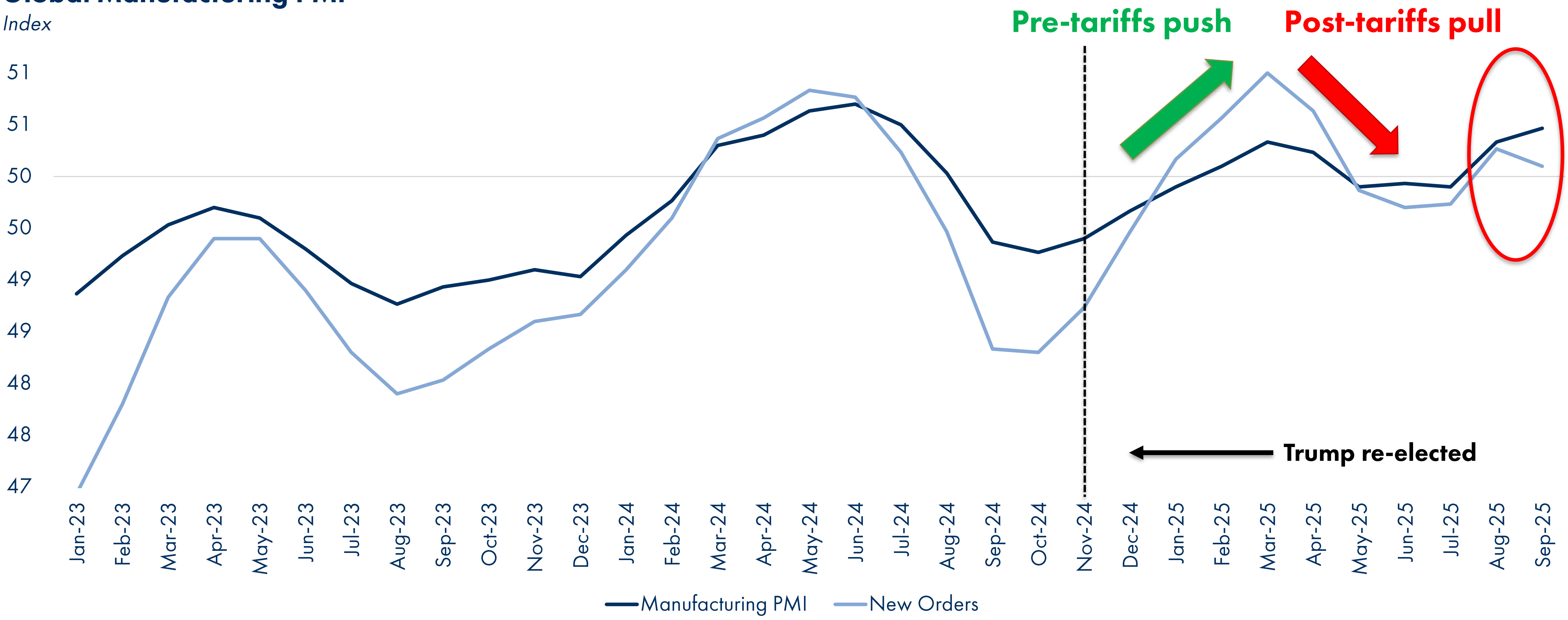

Source: Wind, Arrow

As we argued back in November, tariffs do not necessarily have a major impact on trade volumes, but could reshuffle trade routes

The effects also vary across sectors and tend to increase volatility in global trade

NAVIGATING THE SECOND TRUMP ERA

- We believe Donald Trump's win will not have an immediate impact on the shipping markets…
- …though it will likely have significant long-term ramifications
- The effects will vary across sectors and are expected to increase volatility in global trade

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We believe Donald Trump's win will not have an immediate impact on the shipping markets, though it will likely have significant long-term ramifications. The effects will vary across sectors and are expected to increase volatility in global trade.

In this short research note we share our views on how the second Trump era will impact global seaborne trade and elaborate on its impact on the major shipping sectors.

Tanker Sector

In energy markets, Trump's stance emphasizes increased domestic oil and gas production, aiming for "energy dominance" by reducing regulations and promoting drilling. His plans to dismantle climate policies, including those established under the Inflation Reduction Act, would facilitate fossil fuel development. Trump also supports the construction of pipelines and other infrastructure to bolster energy distribution and export capabilities. This bodes well for oil and gas exports and potentially bullish for tankers.

Trump is also likely to adopt a stricter stance toward Iran, possibly enforcing sanctions more rigorously. This could result in lower Iranian oil on the water, which would have to be replaced with barrels from other producers. Substituting sanctioned volumes with non-sanctioned barrels could boost legitimate trades as the dark fleet would find it difficult to compete for cargoes. Another potentially bullish outcome for tankers.

One of Trump's campaign promises is to end the war between Russia and Ukraine, which could mean normalization of global oil trades, at least partially. That would be bearish for tanker demand as it would imply significantly lower tonne-miles at a time of rising newbuilding deliveries. But it would also likely result in a surge in demolition activity as the dark fleet would have little choice but head for scrap yards. That said, it may prove to be a challenging task for Donald Trump in the short term and even if he negotiates a peace deal as he promised, sanctions may not be lifted immediately. Moreover, some Western buyers may remain reluctant to engage with Russian counterparts even if/when sanctions are eased. Therefore, in our baseline scenario we do not expect a material change in global oil trade patterns that have been established over the past few years in the near term.

Dry Bulk Sector

For dry bulk, Trump's policies are unlikely to directly impact trades overall. However, U.S. grain exports could be exposed to trade tensions with China. In the event of heightened U.S. tariffs on Chinese goods, China may retaliate by reducing grain imports from the U.S. This would likely result in trade route adjustments rather than a drop in overall trade volumes, as Brazil would likely redirect its grain exports to China while the U.S. finds alternative markets. We observed a similar pattern during the 2018 U.S.-China trade war, which ultimately had a slight net positive impact on tonne-miles.

A quick note on tariffs: Trade barriers can significantly disrupt trade flows between the imposing and targeted countries. However, they often create substantial price differentials and open arbitrage opportunities, ultimately leading to trade diversions. Take the sanctions on Russia following its invasion of Ukraine. Initially, almost all bilateral trade between Russia and the West was banned, and export volumes dropped sharply. But both sides quickly found alternative markets, with Russia increasing trade with countries like China and India, while European countries expanded both intra- and inter-regional trades. In the end, similar – if not higher – volumes of goods and commodities were traded, albeit in a more inefficient way, which benefited shipping demand.

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Outright Rerouting

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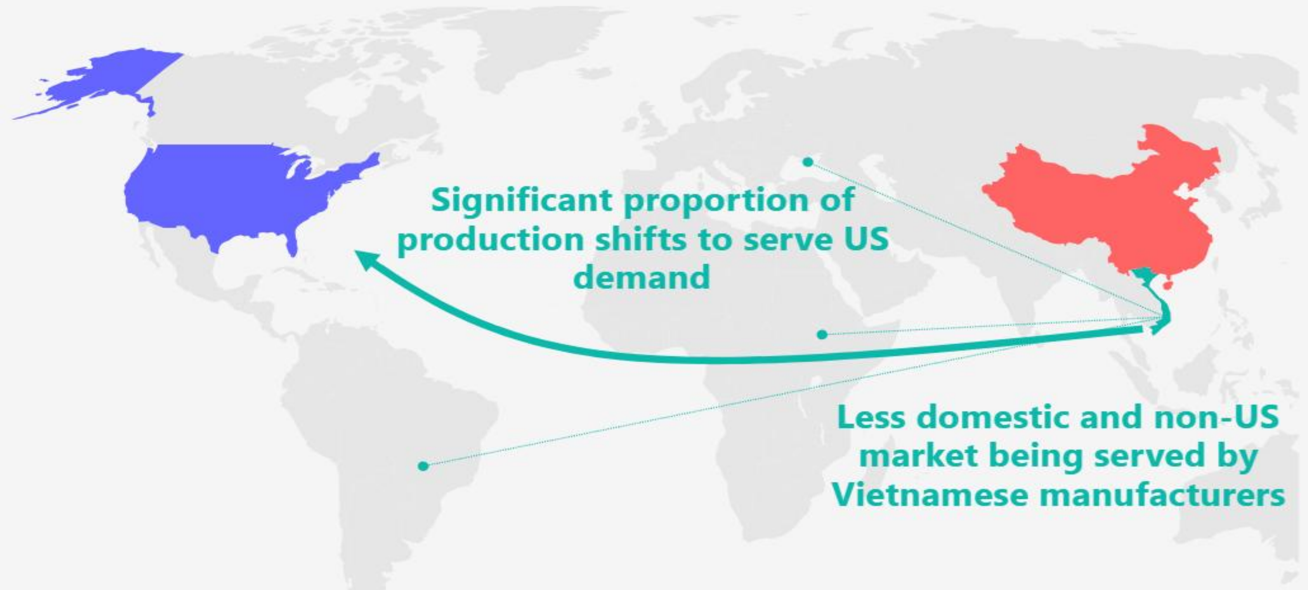
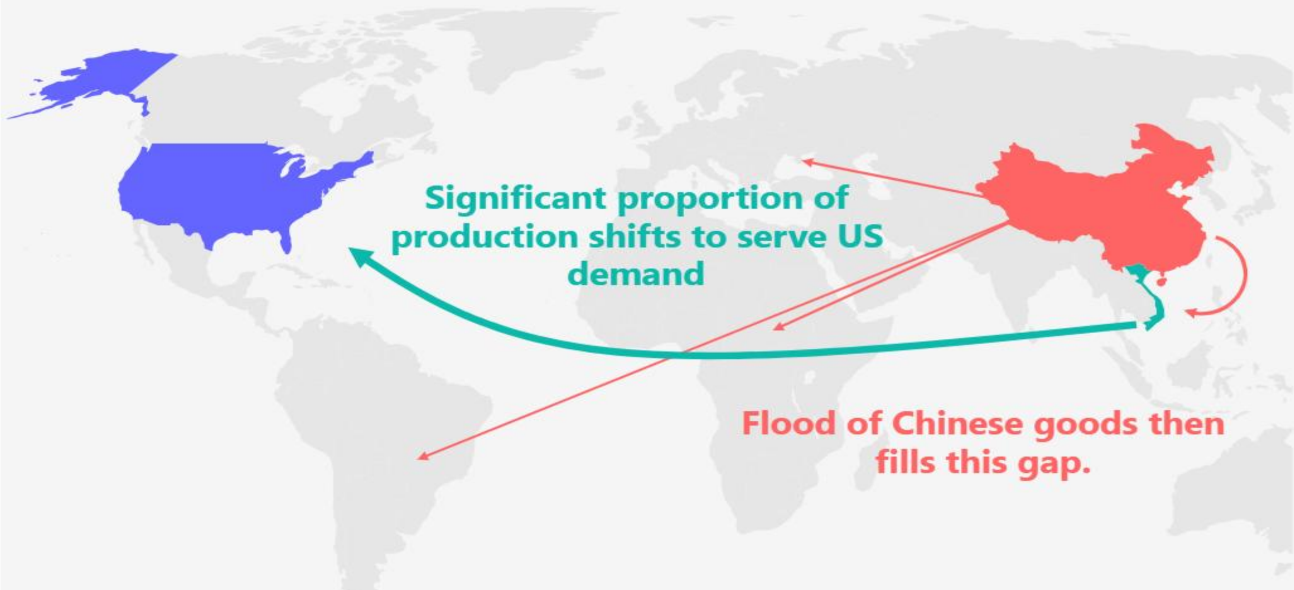
Trade Diversion



Trade Diversion

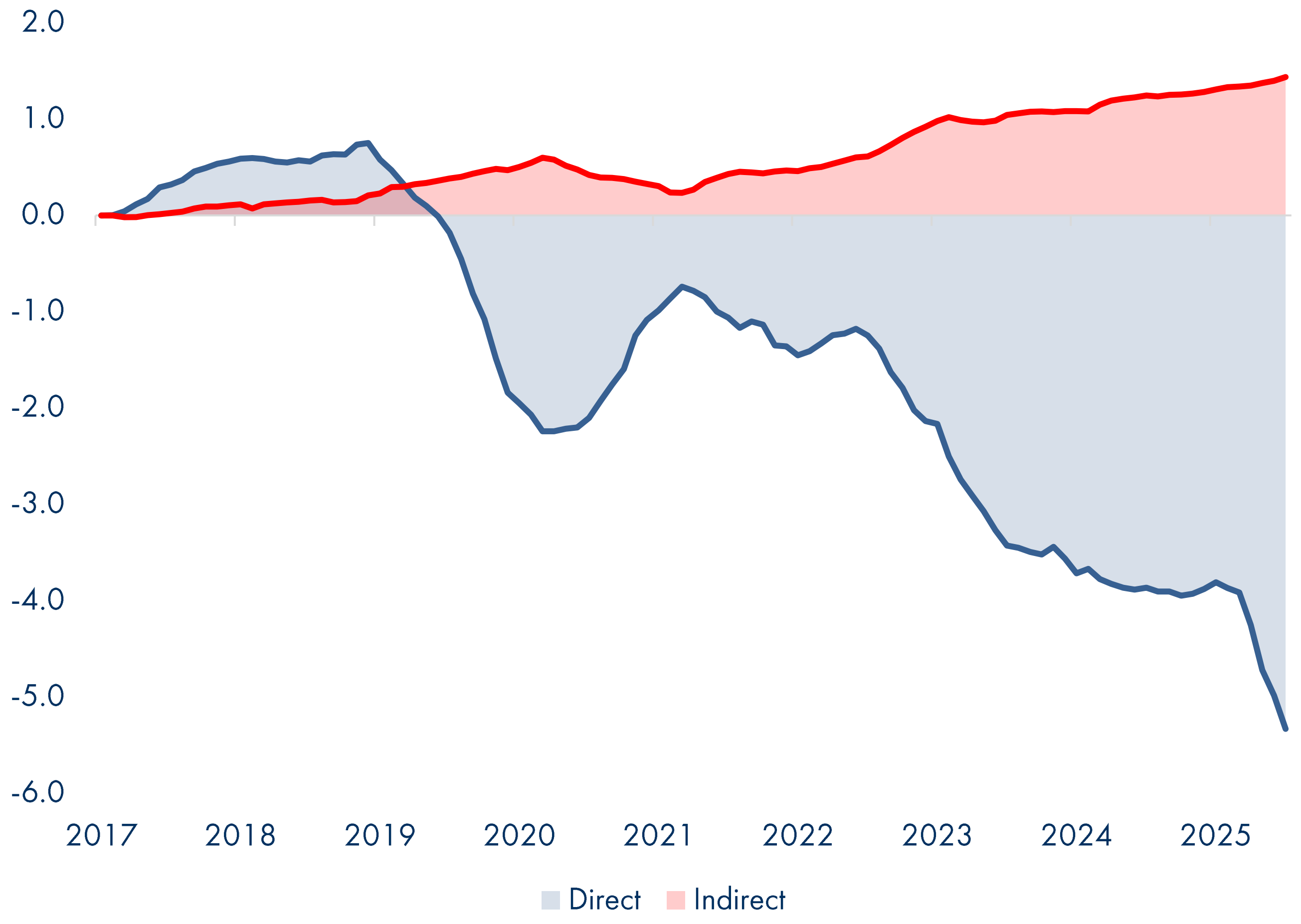


Source: Capital Economics, Arrow

Chinese manufacturers are mitigating the impact of higher tariffs by rerouting their exports via third party countries. This is increasing trade inefficiencies and benefitting shipping demand

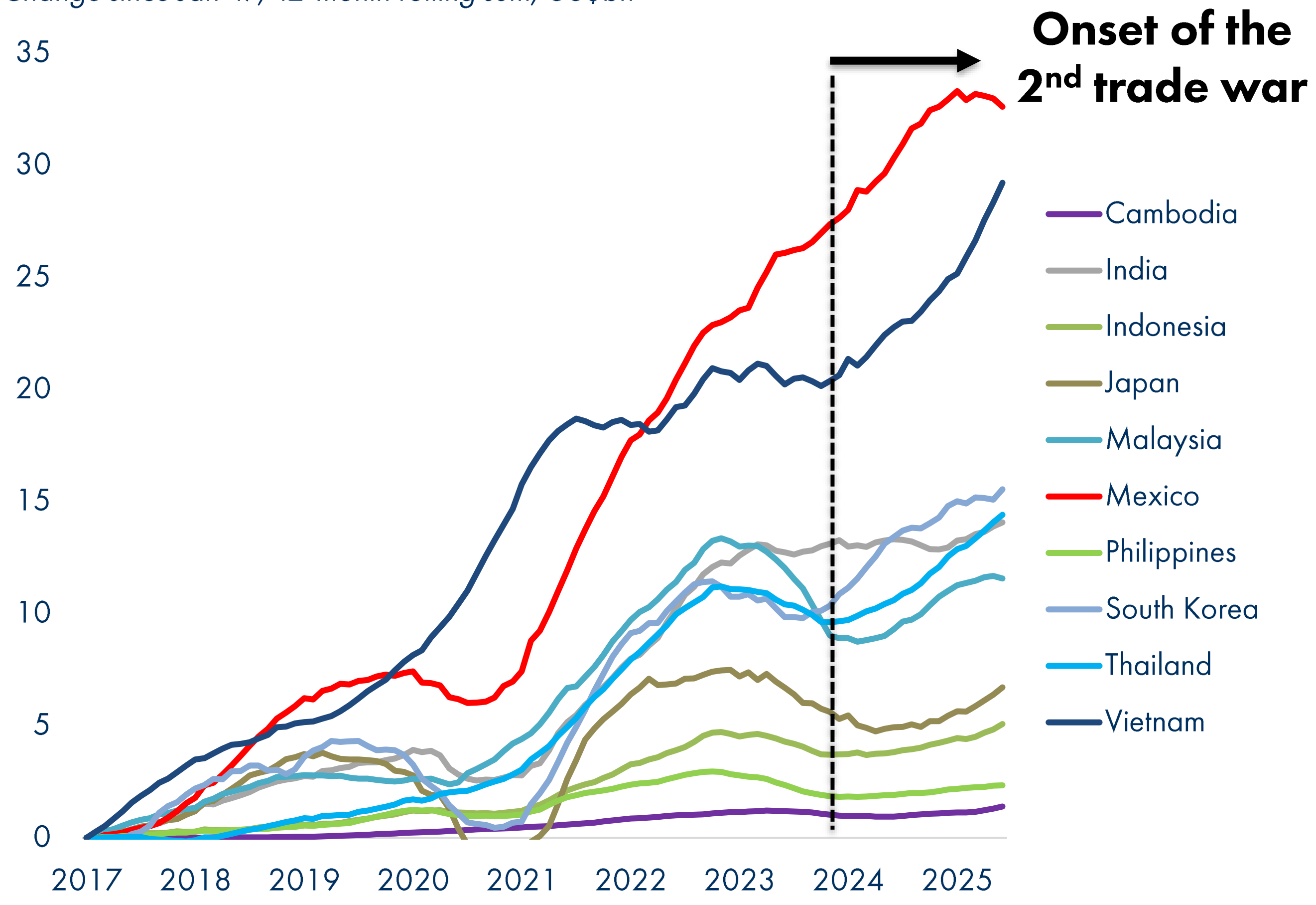
China exports to the US

Percentage change since Jan-17, 12-month rolling average



Indirect China exports to the US by third country

Change since Jan-17, 12-month rolling sum, US$bn

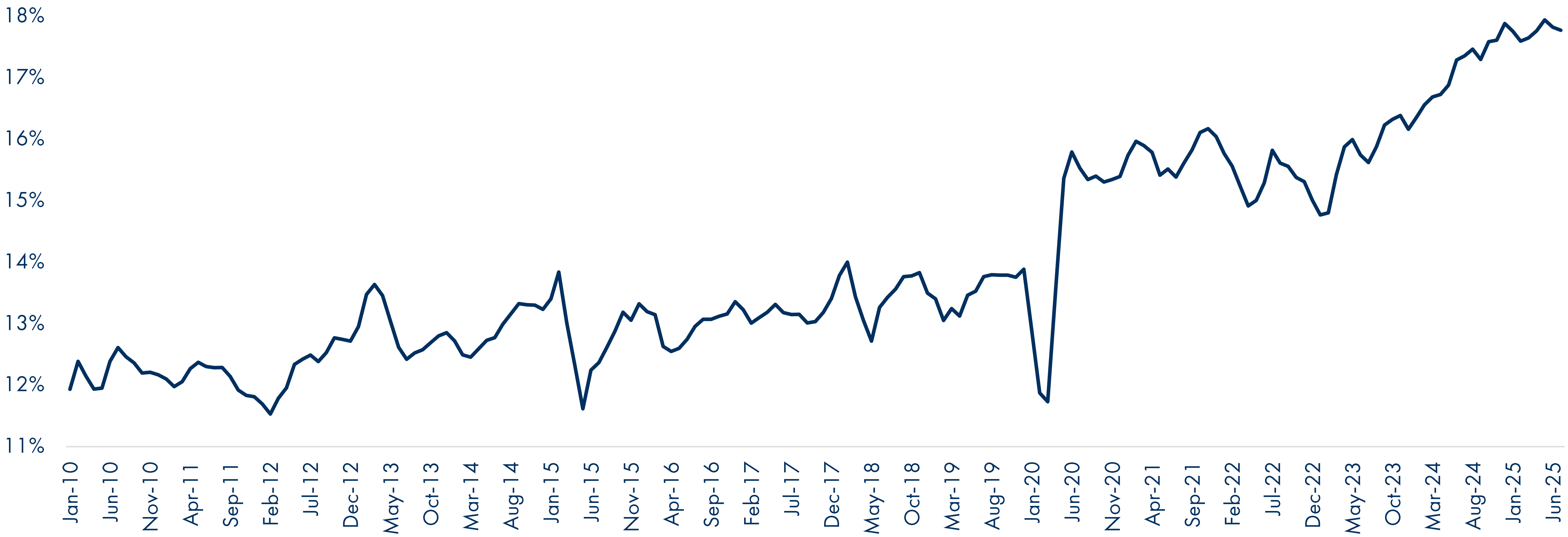


Source: Capital Economics, Arrow

Despite heavy tariffs on its goods, Chinese exports as a share of global trade has reached an all time high this year

China's exports as percentage of global exports

Percentage of global exports



Source: New York Fed Economic Research, Arrow

Expect more uncertainty and volatility

Port fees : Impact varies substantially based on the sector

Dry bulk is probably one of the least affected sector

Impact on others is mixed but we are not aware of major disruptions so far

Frankly, it is a mess… there is no consensus

IMO Net Zero : A major development – not easy to predict the future path

Heavily influence by geopolitics

Last time a major decision like this got postponed at the IMO level was back in 1984 and it took until 1996 for the regulation to be adopted

Short-to-medium term market outlook

Mixed – but overall, cautiously positive

Dry bulk : Cautious for Q4 but constructive for 2026

Capesize segment is likely to outperform over the next 3 years due to tighter supply-demand balance

Tankers : Global oil market fundamentals looks set to soften but geopolitics and shifting trade patterns will once again drive the tanker market

We like large crude carriers as products will likely come under pressure due to rising supply in the short term

Containers : Mainlane trades will likely see freight rates softening with slowing trade growth and rising capacity

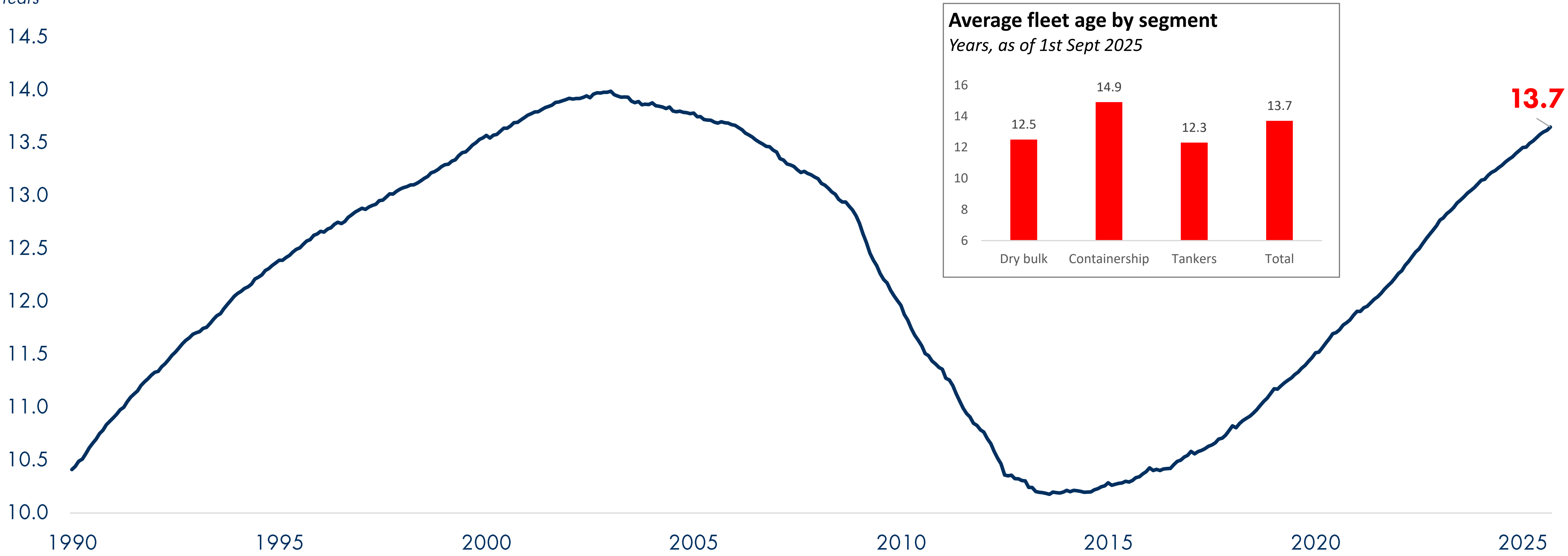
Regional trades will likely accelerate and benefit small-medium size containerships

Long-term outlook - THE CHALLENGE OF MEETING FLEET RENEWAL REQUIREMENTS

Global commercial merchant fleet is aging – the average age of fleet is 13.7, just the highest since early 2000's

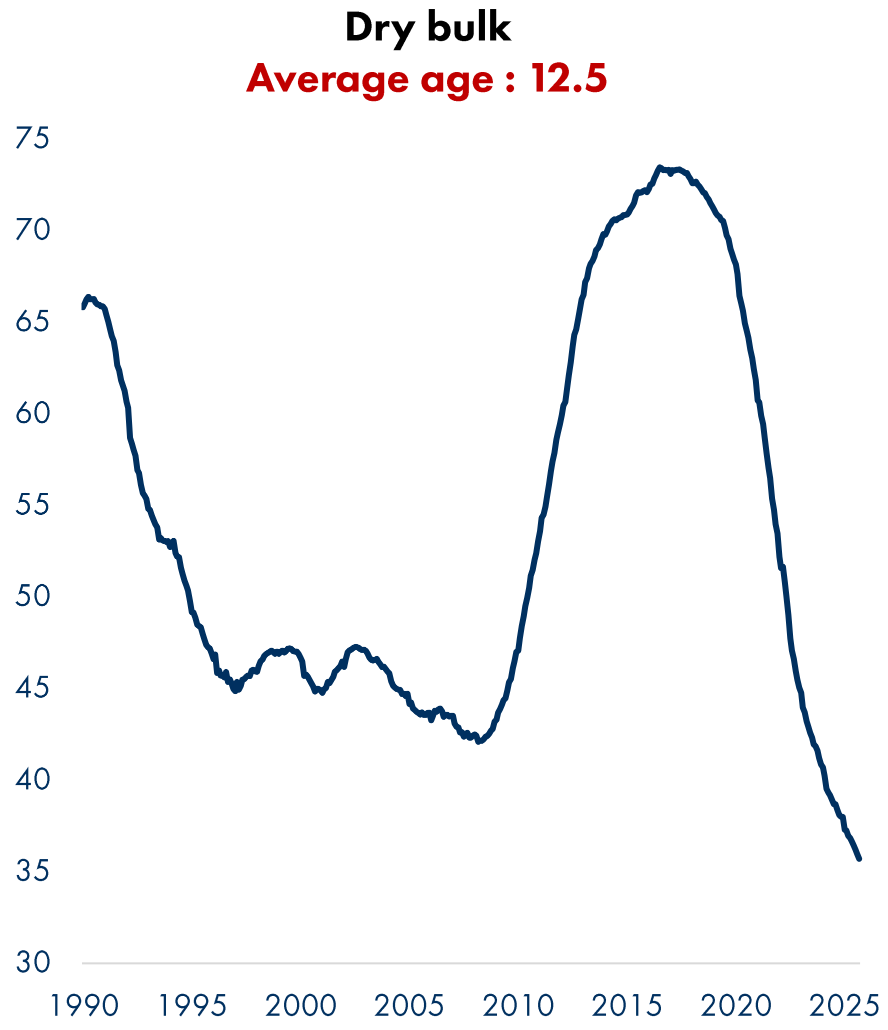
Average age of the global merchant fleet

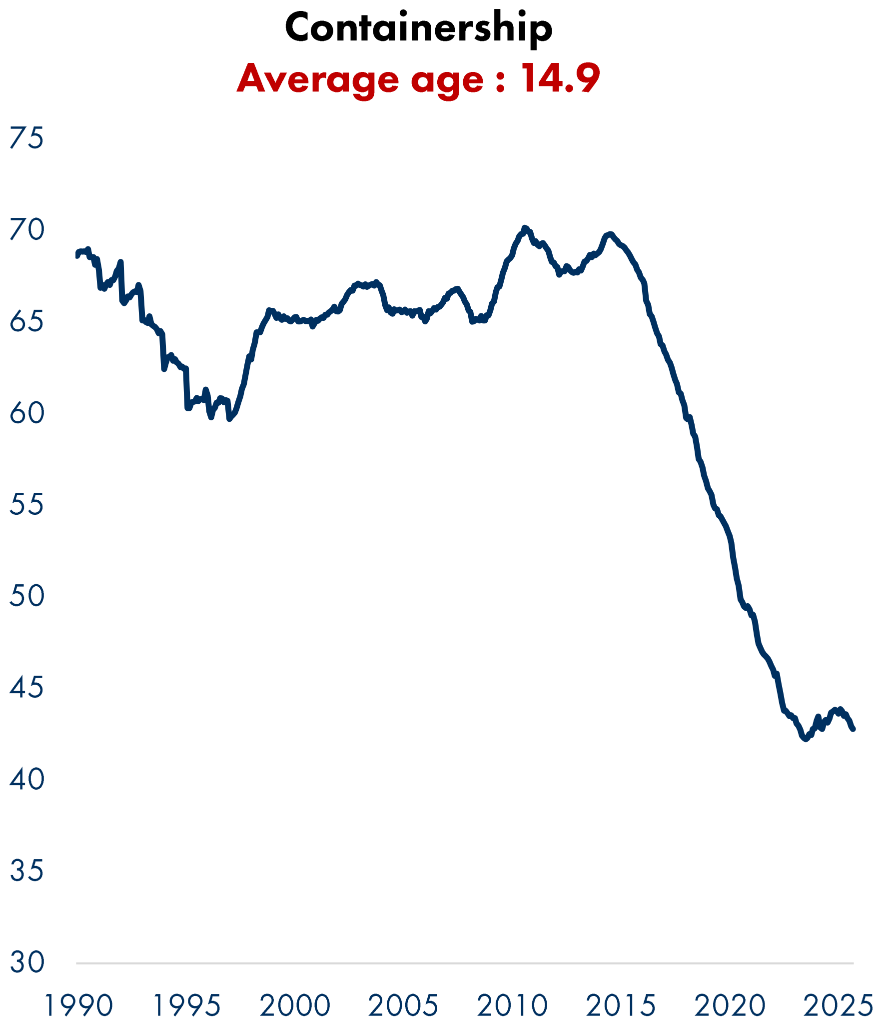
Years

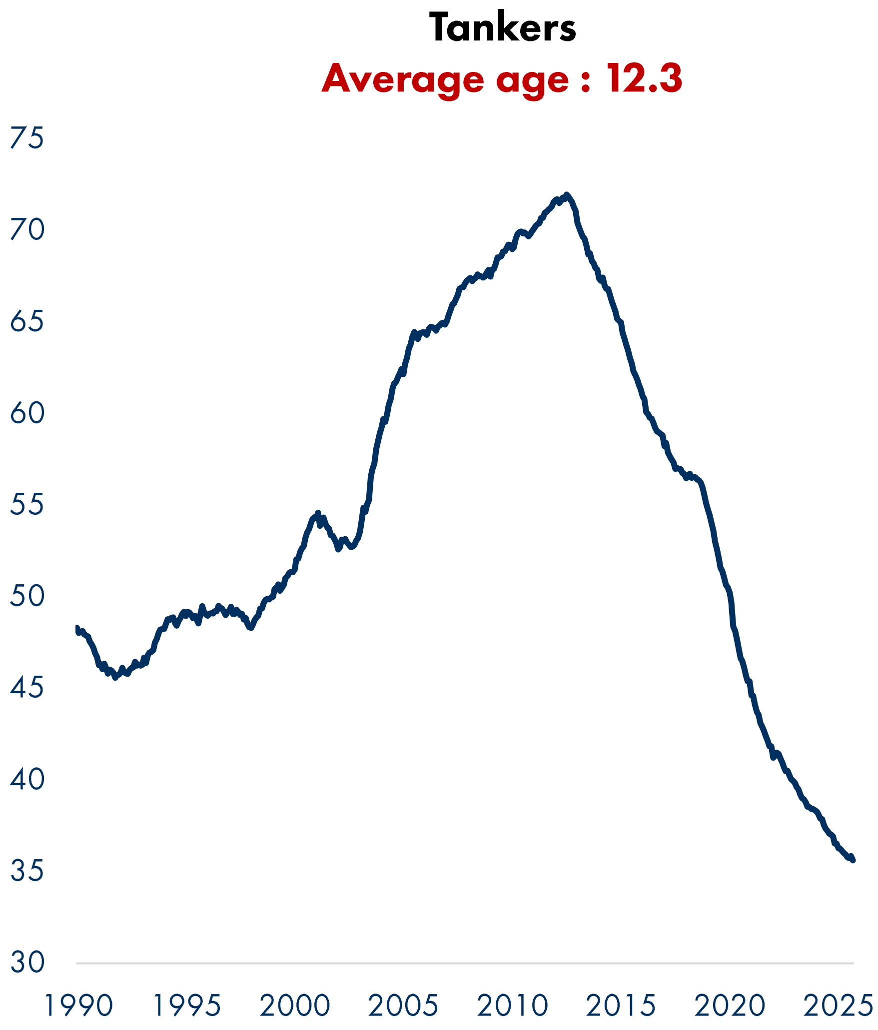


Percentage of the fleet under 10-years of age

Percentage of the total fleet

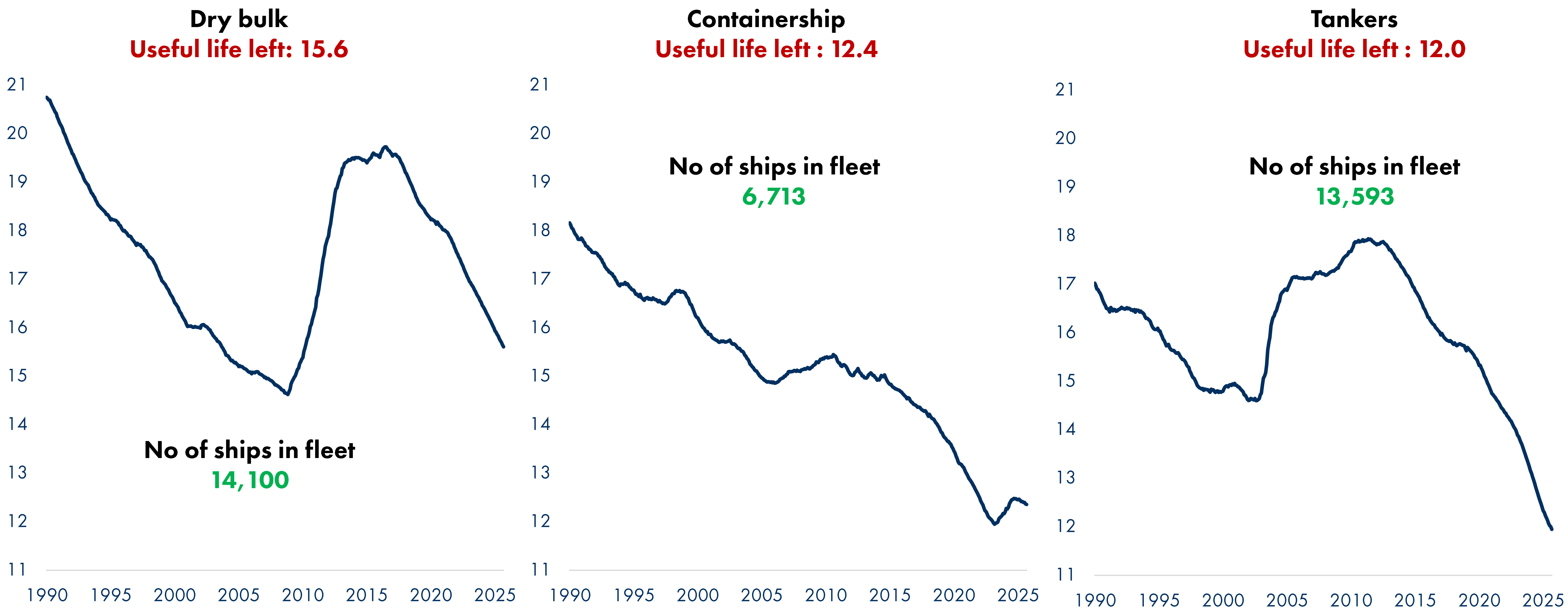






Average useful life left in major commercial fleets

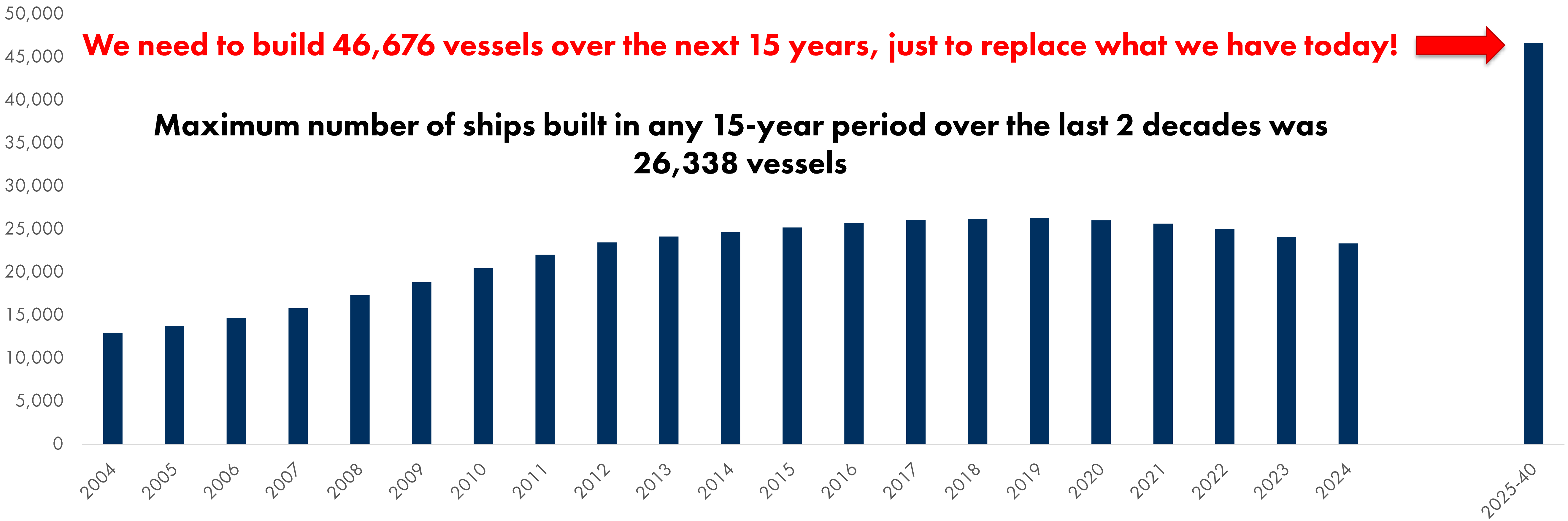
Years to demolition



Future fleet renewal requirements far outstrip the shipbuilding capacity we have today! **Are we at the beginning of another mega tightening cycle?**

15-year period aggregate shipbuilding deliveries vs theoretical fleet renewal requirement over the next 15 years

13-year rolling sum deliveries of all types of merchant ships vs what need to be replaced



Years needed to replace the current merchant fleet

Years, at maximum capacity in 30 years & at current capacity

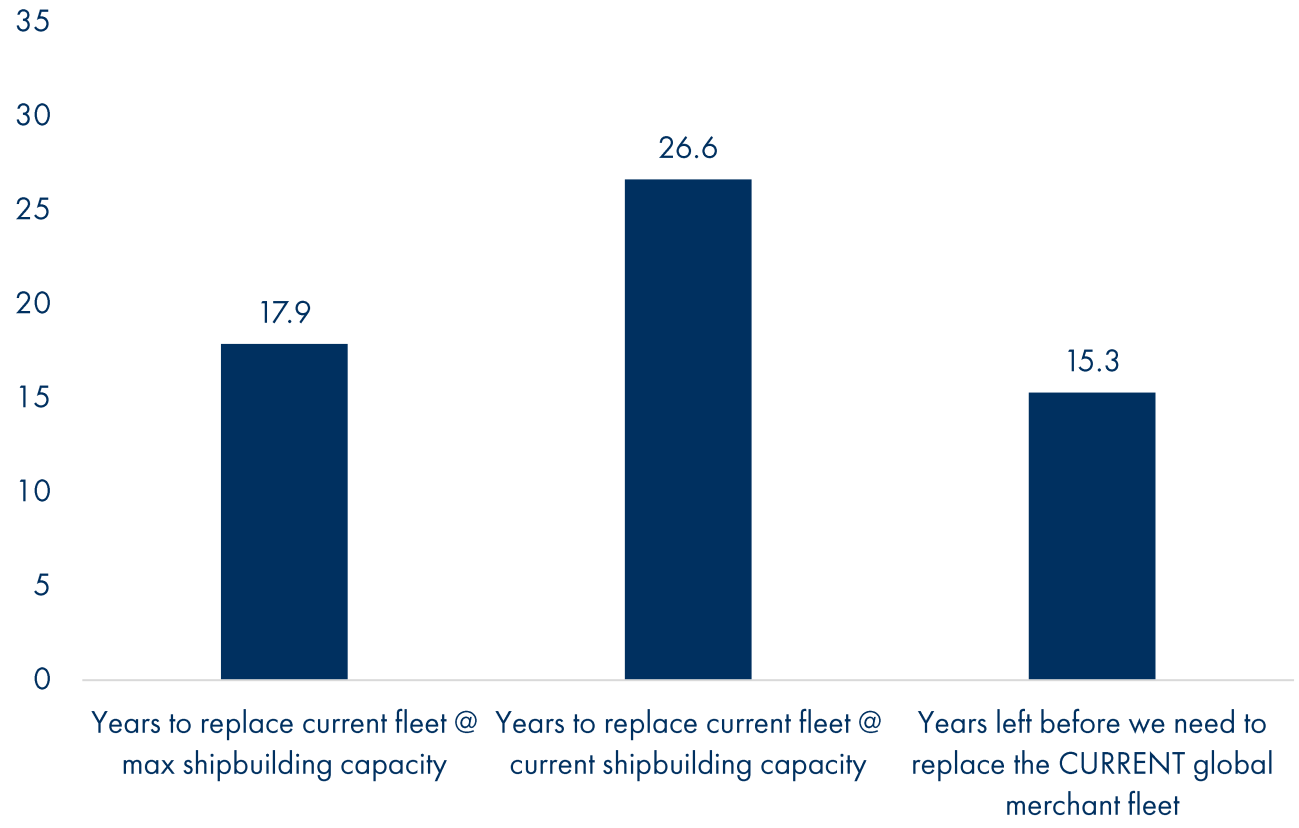
Annual shipbuilding capacity is estimated using the three-year rolling average of global deliveries, expressed in CGT terms. This estimated capacity is then applied to calculate the number of years required to replace the existing fleet, based on the remaining lifespan of the current merchant fleet (15.3 years), under two scenarios: !) At peak capacity levels reached during the shipbuilding boom of the early 2010s; and 2) At current capacity levels.

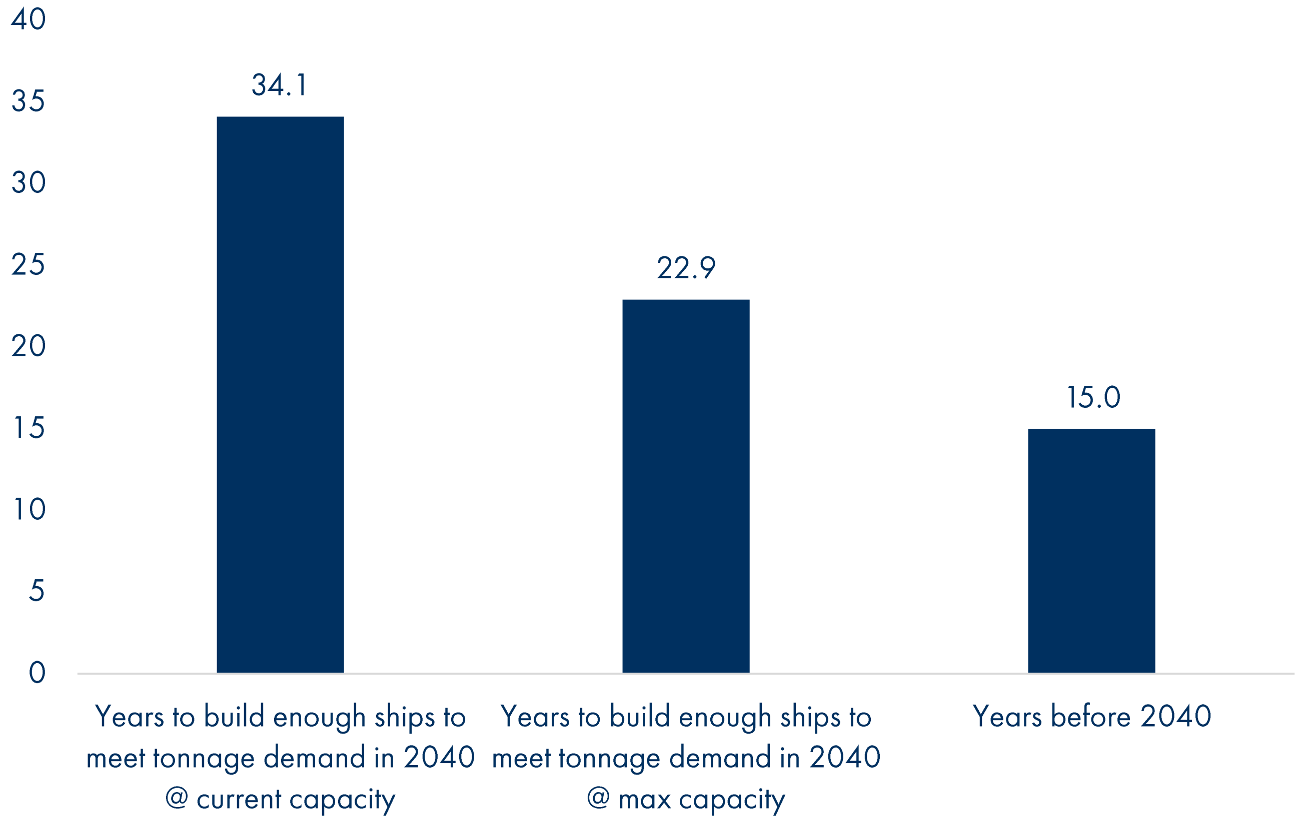
Years needed to meet future tonnage demand

Years, at maximum capacity in 30 years & at current capacity

We estimate future tonnage demand by applying half the average annual growth rate of the global merchant fleet over the past decade to the current fleet size. Over the last ten years, the global merchant fleet expanded at an average rate of ~3.3% per annum. Accordingly, we apply a 1.7% annual growth rate to the current fleet over the next 15 years to project future tonnage requirements.

Even assuming shipbuilding returns to the peak capacity levels of the early 2010s, the projected tonnage demand is unlikely to be met within the next 15 years





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